



**COMMITTEE ON THE BUDGET**  
**MAJORITY CAUCUS**  
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# WHO'S REALLY HELPED THE ECONOMY?

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Everyone applauds the solid performance of the American economy, which the President hailed in his State of the Union address last night. But it's important to recognize what kind of policies have really promoted this growth. Here's a quick comparison of the Clinton approach and that of the Republican-led Congress.

## THE CLINTON APPROACH

Clinton's 1993 "economic plan" was based on a \$268-billion tax increase – the largest tax hike in history. The results:

- ▶ Long-term interest rates *rose* from an average of 5.7 percent in August 1993 to about 8 percent by November 1994.
- ▶ In February 1994, Clinton's own budget recognized his policies didn't work. It projected sluggish economic performance through the end of the decade; predicted that real economic growth would "settle in" at a weak 2.5 percent in "1996 and beyond"; and warned that unemployment would "edge up."
- ▶ The Clinton budget in February 1995 projected deficits *increasing* from \$192.5 billion to \$213.1 billion in 1997. It showed deficits of roughly \$200 billion a year or more as far as the eye could see.
- ▶ Clinton's own economists predicted 10-year interest rates at 7 percent or higher through 2000 – more than 2 percentage points higher than Republican policies have produced.

## THE REPUBLICAN APPROACH

Our strategy was based on restraining government spending, balancing the budget, and cutting taxes on America's families. The results:

- ▶ Long-term interest rates peaked the day before the 1994 election and since then have *declined* about 3 percentage points.
- ▶ As long-term interest rates and inflation declined, real incomes, wages, profits, and stock market returns grew. Rather than "settling in" at 2.5 percent, as the Clinton budget had projected, economic growth rose to 3.9 percent in 1997. Unemployment has continued to decline.
- ▶ Our policies helped lower interest rates from 7.8 percent in January 1995, when our GOP majorities took office, to about 4.8 percent now (see chart on the next page) – and now we have growing budget *surpluses*.
- ▶ This decline in rates has saved the typical family \$73,524 on a home mortgage, \$1,322 on an auto loan, and \$2,100 on a student loan (see chart on the next page).

